

RECEIVED  
FEDERAL ELECTION  
COMMISSION  
OFFICE OF GENERAL  
COUNSEL

DEC -41 A 8 16

James W. Ryan  
jwr@psh.com

**SENSITIVE**

November 30, 2006

Office of General Counsel  
Federal Elections Commission  
999 E Street, NW  
Washington, DC 20463

PRE-MUR # 443

Re: Complaint Regarding Election Law Violations

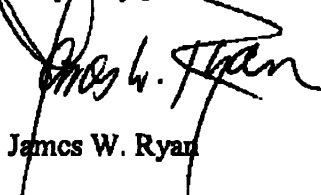
Dear Sirs:

I am writing to you on behalf of The Beacon Mutual Insurance Company ("Beacon"). It has come to the attention of the Beacon Board of Directors that the former President and Chief Executive Officer, Joseph A. Solomon, may have violated federal campaign laws by the manner in which he solicited members of senior management for donations to the campaign of a candidate for federal office. It appears that Mr. Solomon also personally reimbursed at least one of those employees who made such a contribution.

This firm serves as outside counsel to Beacon. Upon the recommendation of Beacon's Governance Committee, the Board of Directors has instructed me to refer this matter to the attention of the Federal Elections Commission. Per your instructions, I enclose three (3) copies of the materials gathered by the Governance Committee in connection with their review. I am also enclosing a copy of the letter of Director Adelita S. Orfice, dated November 3, 2006, bringing this matter to the attention of the Rhode Island State Police.

If you have any questions, please do not hesitate to call me.

Very truly yours,



James W. Ryan

JWR:emw  
Enclosures

cc: Mr. Carl I. Hayes, Chairman (w/enc.)  
Mr. Clifford L. Parent (w/enc.)

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RECEIVED  
FEDERAL ELECTION  
COMMISSION  
OFFICE OF GENERAL  
COUNSEL

2006 DEC -4 A 8:16

HAND DELIVERED

PRE-MUR # 443

November 3, 2006

Captain Steven Lynch  
Detective Commander  
Rhode Island State Police  
311 Danielson Pike  
North Scituate, RI 02857

Dear Captain Lynch,

I am writing on behalf of the Beacon Mutual Insurance Company Governance Committee to refer to your office an issue that was brought to the Board's notice one week ago. Specifically, it has come to our attention that Beacon's former President and Chief Executive Officer, Joseph Solomon, may have violated state and federal campaign laws by soliciting employees for donations to Sheldon Whitehouse's senate campaign and reimbursing at least one of those employees for the contributions. Our brief review of the issue suggests that Mr. Solomon used his own money to make reimbursement. However, we have not been able to rule out with any certainty whether company funds were involved in these solicitations.

This issue came to the Board's attention last week when auditors from Deloitte, working as part of a contract with the Department of Business Regulation, contacted Beacon's Interim CEO regarding an October 24<sup>th</sup> article in the Providence Journal (attached). The newspaper reported that several members of Beacon's executive management staff had given money to the Whitehouse campaign in June, 2005. The Deloitte auditors conducted additional research and learned that contributions also were made during this same time period by two members of the Beacon Board and two well-known Beacon contractors. Deloitte raised several questions regarding the nature of the activities and whether reimbursements had been made either by individuals or by the company (inquiry attached).

On Wednesday, October 25<sup>th</sup>, the Board met via teleconference to discuss the inquiry. At that time, the Board voted to refer the matter to the Governance Committee for further review and possible action. The Governance Committee, which is comprised of three Board members (myself, Brendan Doherty, and Carol Saccucci), met on October 26<sup>th</sup> with Board Chairman Carl Hayes, Beacon's Interim CEO Cliff Parent, and legal counsel to begin our review. We then requested each current employee who was known to have given money to the Whitehouse campaign in June 2005 to answer individually the questions posed by Deloitte.

Yesterday, we met to review the answers employees gave to the questionnaires. In light of those answers, we agreed unanimously that we should forward to your office what we have learned so far and request that the Financial Crimes Unit of the State Police conduct an investigation.

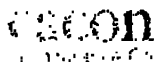
Attached for your review is a packet which includes the Deloitte questions, the employee responses to the questions, the Providence Journal article, e-mail communications between Joe Solomon and some members of the executive staff, and miscellaneous documents reviewed by the Governance Committee.

Beacon Mutual Insurance Co.  
311 Danielson Pike  
North Scituate, RI 02857

Phone: 401-467-1111  
Fax: 401-467-1112

www.beaconmutual.com

29044234814



Please note, we believe that we are required to report these activities to the Federal Election Commission and, so, we will also be asking our legal counsel to refer this entire matter to the FEC within the next few days.

If you have questions or need additional information, please contact me at 401-462-8875.

Sincerely,

Adelita S. Orefice  
Director

Attachments

Cc     Brendan Doherty  
         Carol Sacencci  
         Carl Hayes  
         Jim Ryan, Esq.  
         Cliff Couter

29044234815

projo.com

## Questions raised about donors

01:00 AM EDT on Tuesday, October 24, 2006

By Katherine Gregg

Journal State House Bureau

PROVIDENCE — Democratic U.S. Senate candidate Sheldon Whitehouse opened the door during a TV debate last week to a battle over financial ties by questioning how Sen. Lincoln D. Chafee could accept \$2,000 in campaign donations from a political action committee affiliated with Vice President Dick Cheney's former company.

He went so far as to suggest the \$2,000 from the Halliburton PAC helped explain why Chafee had not joined him in calling for a modern-day version of the Truman Committee that investigated waste, fraud and abuse in World War II.

Yesterday Chafee fired back.

While Whitehouse tried to tie Chafee to the monied interests that lobby Congress, including the pharmaceutical and defense-contracting industries, Chafee described Whitehouse as " beholden " to the gambling lobby and the same Democratic Party insiders who turned Beacon Mutual Insurance Co. into a favor-factory for connected insiders.

Chafee accused Whitehouse of changing his position on the merits of putting Harrah's no-bid casino-proposal on the Nov. 7 ballot after receiving \$9,575 in campaign contributions from lobbyists and other key players in the referendum-drive for the proposed Harrah's-Narragansett Indian casino, including Chief Sachem Matthew Thomas.

In 2002, when he was attorney general and a candidate for governor, Whitehouse said he had " a general hesitancy " about putting gambling questions on the ballot. More recently, he has said he personally intends to vote no, but " this is a decision that should be in the hands of Rhode Island voters. "

" What's changed? " asked Chafee campaign manager Ian Lang. " Gambling interests started funding his Senate campaign. "

The Chafee camp also cited \$10,350 Whitehouse got last year from top executives at the embattled Beacon Mutual Insurance Co., including the ousted former president and CEO Joseph Solomon and the former vice president for underwriting, David R. Clark, who was indicted last week on felony conspiracy, insurance-fraud and cover-up charges.

The indictment was described as the first in a widening criminal investigation of the state's dominant workers' compensation insurer, which was created by state lawmakers in the early 1990s to rescue Rhode Island from an insurance crisis. More recently it has been shaken by revelations of unfair pricing practices and preferential treatment of some of the state's big businesses.

With recent polls giving Whitehouse a slight edge, the Chafee campaign went for the jugular.

"Mr. Whitehouse presents a sanitized image to the public, but his campaign contributions show that he is beholden to some questionable individuals and organizations," said Lang.

Asked why – more than a decade after Whitehouse had any involvement with Beacon – he should be held accountable for its recent troubles, Lang singled out this finding in a report commissioned by Beacon's board as evidence the structure was flawed from the beginning: 'Over time...the reformers who built Beacon created a corporate culture that rewarded an incestuous nest of insiders.'

Whitehouse, who was the point-man for former Gov. Bruce Sundlun in the discussions that led to Beacon's creation, did not respond directly to Chafee's accusations. His campaign tried instead to shift the spotlight to some of Chafee's own contributors:

"Instead of attacking Sheldon Whitehouse, maybe he should first explain why he took \$1,000 each on May 19, 2005, and June 28, 2006, from Halliburton, the company formerly headed by Vice President Dick Cheney that has had more than \$1 billion in Iraq reconstruction contract costs questioned by the Department of Defense...."

"Or a total of \$10,000 [from Pfizer], which spent close to \$4 million lobbying the federal government in 2003 alone [the year Medicare Part D passed]... Or \$1,000 on September 19, 2006, from big tobacco company Lorillard, which among other big tobacco companies was found guilty early this year in federal court of conspiring to deceive the public about the dangers of smoking?"

"And finally, how about the million dollars George Bush and the Republicans have spent on his behalf ...?"

With respect to Whitehouse's call for an investigation into potential abuses in Iraq war contracting, Lang noted that Chafee was the only Republican who, in June, voted in favor of the bid by Sen. Byron L. Dorgan, D-North Dakota, to create a modern-day version of the Senate Special Committee to Investigate the National Defense program, popularly known as the Truman Committee. It went down on a party-line 52-to-44 vote.

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Online at: [http://www.projo.com/news/politics/content/senate24\\_10-24-06\\_QF2H34K.3392569.html](http://www.projo.com/news/politics/content/senate24_10-24-06_QF2H34K.3392569.html)

29044234817

June 2005 Contributions to Whitehouse '06

<u>Name</u>	<u>Date</u>	<u>Amount</u>
Alarie, Pamela L.	06/07/05	1,000.00
Boeniger, Henry R.	06/28/05	250.00
Burton, Christina M.	06/03/05	1,000.00
Dufault, Brad	06/30/05	2,000.00
Dufault, Guy A.	06/30/05	2,000.00
Johnson, Jeffrey C.	06/07/05	1,000.00
Lawlor, Cynthia L.	06/02/05	1,000.00
Lynch, Michael D.	05/27/05	1,000.00
Parent, Clifford L., Jr.	06/02/05	1,000.00
Redman, Paul W.	06/03/05	1,000.00
Sollosy, Sheldon S.	05/31/05	1,000.00
Solomon, Joseph A.	06/02/05	2,100.00
		<hr/>
	TOTAL	14,350.00

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Pamela L. Alarie  
Beacon Mutual Insurance Company  
Director of Human Resources

---

N Kingstown, Rhode Island 02852

Election: PRIMARY  
Date Contributed - 06/07/2005  
Line #:11AI

1.	Amount This Period -		1000.00
2.	Year-To-Date	=	1000.00

29044234819

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Henry R Boeniger  
NEA RI  
Government Relations Specialist

└───┐

Westerly, Rhode Island 02891

Election: PRIMARY  
Date Contributed = 06/28/2005  
Line #:11AT

3.	Amount This Period =	250.00
4.	Year-To-Date	= 250.00



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Christina M. Burton  
Beacon Mutual Insurance Company  
Executive Assistant

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Cranston, Rhode Island 02920

Election: PRIMARY  
Date Contributed = 06/03/2005  
Line #:11AI

5.	Amount This Period =	1000.00
6.	Year-To-Date =	1000.00

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Brad Dufault  
Cornerstone Communications  
Vice President

Providence, Rhode Island 02906

Election: PRIMARY  
Date Contributed = 06/30/2005  
Line #:11A1

7.	Amount This Period -	2000.00
8.	Year-To-Date	= 2000.00

29044234822

Guy A. Dufault  
Cornerstone Communications  
President

\_\_\_\_\_

Warwick, Rhode Island 028861373

Election: PRIMARY  
Date Contributed = 06/30/2005  
Line #:11AI

9.	Amount This Period =	2000.00
10.	Year-To-Date	= 2000.00

Jeffrey C. Johnson  
Beacon Mutual Insurance  
VP-Community Relations

Warwick, Rhode Island 02889

Election: PRIMARY  
Date Contributed - 06/07/2005  
Line #:11AI

11.	Amount This Period =	1000.00
12.	Year-To-Date =	1000.00

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Cynthia L. Lawlor  
Beacon Mutual Insurance  
CFO

Warwick, Rhode Island 02886

Election: PRIMARY  
Date Contributed - 06/02/2005  
Line #:11AI

13.	Amount This Period =	1000.00
14.	Year-To-Date	= 1000.00

Michael D. Lynch  
Beacon Mutual Insurance  
Attorney

North Kingstown, Rhode Island 02852

Election: PRIMARY  
Date Contributed = 05/27/2005  
Line #:11AI

15.	Amount This Period =	1000.00
16.	Year-To-Date =	1000.00

Clifford L. Parent, Jr.  
Beacon Mutual Insurance Company  
V.P. Claims

Canterbury, Connecticut 06331

Election: PRIMARY  
Date Contributed = 06/02/2005  
Line #:11AI

17.	Amount This Period =	1000.00
18.	Year-To-Date =	1000.00

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Paul W. Redman  
Beacon Mutual Insurance Company  
Vice President IS.

Barrington, Rhode Island 02806

Election: PRIMARY  
Date Contributed = 06/03/2005  
Line #:11AI

19.	Amount This Period =	1000.00
20.	Year-To-Data	- 1000.00



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Sheldon S. Sollosy  
Manpower Inc  
Executive

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Cranston, Rhode Island 029103325

Election: PRIMARY  
Date Contributed = 05/31/2005  
Line #:11AI

21.	Amount This Period =	1000.00
22.	Year-To-Date =	1000.00

Joseph A. Solomon  
Beacon Mutual Insurance  
President

Warwick, Rhode Island 02886

Election: PRIMARY  
Date Contributed = 06/02/2005  
Line #:11AI

23.	Amount This Period =	2100.00
24.	Year-To-Date -	2100.00

**Adelita Orefice**

**From:** Carl I. Hayes  
**Sent:** Friday, October 27, 2006 9:47 AM  
**To:** Pam Alarie; Paul Redman; Mike Lynch; Jeff Johnson; Cliff Parent; Cindy Lawlor; Christina Burton  
**Subject:** Board Governance Committee inquiry

Last evening the Board's Governance Committee met concerning the recent inquiry from Deloitte regarding political contributions made to the Sheldon Whitehouse for Senate Committee during June 2005. In order for the committee to assess the scope and nature of the issue it has requested that I pass on to each of you their 4 questions. It is important that any answers that you choose to give be accurate. Also the committee requests that you respond by early this afternoon if possible.

1. Was this a coordinated contribution? If so, who directed the spending?
2. Was this contribution made in lieu of a PAC contribution to be made in 2005?
3. Was there any reimbursement to you made by Beacon or any other individual or a promise of such reimbursement by the company (as in a promise of a bonus or other form of compensation) or by any individual? If so please describe.
4. Did you feel pressured or coerced into making a contribution? If so, please describe.

Please send your responses to me and I will forward them to the committee.

Thank you for your cooperation.

Carl Hayes  
for the Board Governance Committee

11/2/2006

29044234831

CLIFF PARENT

October 26, 2006

To: Governance Committee

From: Cliff Parent

Subject: Campaign Contributions to Whitehouse Campaign

As requested, please accept the following as my understanding of circumstances surrounding the above captioned matter. I will try and differentiate between my own personal involvement and information that I subsequently have become aware of.

Joe Solomon approached me sometime in May or June of 2005 and asked if I would be willing to contribute to the Whitehouse campaign. Mr. Solomon indicated that he would reimburse me for the contribution. I indicated to Mr. Solomon that I had worked on a committee with Mr. Whitehouse in 1992 relating to workers' compensation reforms and therefore knew Mr. Whitehouse personally and would be more than willing to contribute to his campaign. I also advised Mr. Solomon that I was doing this of my own volition and that I did not expect to be reimbursed nor would I accept reimbursement for this campaign donation. I subsequently did make a \$1,000 contribution and at Mr. Solomon's request gave my check to him for delivery.

In conversations at the time with other members of the Senior Management Team, I was told that Mr. Solomon also had approached them for a campaign contribution and that they also indicated to Mr. Solomon that they would make a contribution but that they also were not interested in being reimbursed for this contribution. This group was comprised of Cindy Lawlor and Michael Lynch. At the time, I was not aware of any discussions between Mr. Solomon and the remainder of the Senior Management Team.

I have very recently been made aware that Paul Redman has stated that he also made a contribution but that he also told Mr. Solomon that he did not want to be reimbursed for the contribution and there is an indication in e-mails read to me that Dave Clark also contributed and did not accept reimbursement for his contribution.

I have also recently been made aware that Pam Alarie did make a contribution to the campaign and did receive reimbursement from Mr. Solomon personally and that this money was repaid to Mr. Solomon.

I have no direct knowledge of any reimbursement for any campaign contribution made by Christina Burton and Jeff Johnson.

Upon receipt of the request from Deloitte on October 25, 2006, I did ask our Finance Department to provide me with a listing of all payments made to members of the Senior Management Team for the past two years to determine if there was any payment of \$1,000 made to any of these individuals and the information provided to me did not indicate that any such payment was made.

29044234832

In regard to the question by Deloitte relating to the contributions being made in lieu of a contribution to the PAC, the only reply I can give is that I was not asked to contribute to the PAC in 2005 and that this question would be better directed to Mr. Solomon.

To the best of my recollection this is my understanding of the circumstances surrounding this issue. I remain available to the Governance Committee to assist in any further investigation deemed necessary.

*Chris Parent*

29044234833

PAM ALARIE

**Questions from the Board of Directors**

1. Was this a coordinated contribution? If so, who directed the spending? I can't speak to what arrangements other individuals had or did not have. On or about June 1, 2005, Joe Solomon asked me if I would contribute
2. Was this contribution made in lieu of a PAC contribution to be made in 2005? No. I did not participate in the PAC.
3. Was there any reimbursement to you made by Deacon or any other individual or a promise of such reimbursement by the company (as in a promise of a bonus or other form of compensation) or by any individual? If so, please describe. Joe Solomon promised me I would be reimbursed for my contribution, and in fact on or about June 14, 2005, Joe did provide me with a personal reimbursement. However, during the following months, this matter caused me to give much thought to the situation, and as a result, I reimbursed Joe back for having reimbursed me.
4. Did you feel pressured or coerced into making a contribution? If so, please describe. Yes, I felt pressure to contribute because Joe indicated to me that he was upset with one individual that was not willing to participate. In an effort to remain in good standing with my boss, I participated.

Pam Alarie  
October 30, 2006

29044234834

CINDY LAWLOR

Sent: [REDACTED]

[REDACTED]

Last evening the Board's Governance Committee met concerning the recent inquiry from Deloitte regarding political contributions made to the Sheldon Whitehouse for Senate Committee during June 2005. In order for the committee to assess the scope and nature of the issue it has requested that I pass on to each of you their 4 questions. It is important that any answers that you choose to give be accurate. Also the committee requests that you respond by early this afternoon if possible.

1. Was this a coordinated contribution? If so, who directed the spending?

Joe Solomon requested that I make a \$ 1,000 contribution to the Sheldon Whitehouse campaign.

2. Was this contribution made in lieu of a PAC contribution to be made in 2005?

It was not presented that way.

3. Was there any reimbursement to you made by Beacon or any other individual or a promise of such reimbursement by the company (as in a promise of a bonus or other form of compensation) or by any individual? If so please describe.

No, there was no reimbursement made to me. Joe Solomon offered to personally reimburse my contribution but I declined.

4. Did you feel pressured or coerced into making a contribution? If so, please describe.

No.

Please send your responses to me and I will forward them to the committee.

Thank you for your cooperation.

11/2/2006

29044234835

Carl Hayes  
for the Board Governance Committee

29044234836



PAUL REDMAN

Sent: Thursday, November 02, 2006 10:02 AM

Please find below my responses to your questions relating to Sheldon Whitehouse

Paul

1. Was this a coordinated contribution? If so, who directed the spending?  
I was asked by Joe Solomon to contribute to the Sheldon Whitehouse campaign.

2. Was this contribution made in lieu of a PAC contribution to be made in 2005?  
No

3. Was there any reimbursement to you made by Beacon or any other individual or a promise of such reimbursement by the company (as in a promise of a bonus or other form of compensation) or by any individual?  
No. Joe Solomon offered reimbursement but I declined. If so please describe.

4. Did you feel pressured or coerced into making a contribution? If so, please describe.  
No

[REDACTED]

11/2/2006

29044234837

29044234838

Last evening the Board's Governance Committee met concerning the recent inquiry from Deloitte regarding political contributions made to the Sheldon Whitehouse for Senate Committee during June 2005. In order for the committee to assess the scope and nature of the issue it has requested that I pass on to each of you their 4 questions. It is important that any answers that you choose to give be accurate. Also the committee requests that you respond by early this afternoon if possible.

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2. Was this contribution made in lieu of a PAC contribution to be made in 2005?
3. Was there any reimbursement to you made by Beacon or any other individual or a promise of such reimbursement by the company (as in a promise of a bonus or other form of compensation) or by any individual? If so please describe.
4. Did you feel pressured or coerced into making a contribution? If so, please describe.

Please send your responses to me and I will forward them to the committee.

Thank you for your cooperation.

Carl Hayes  
for the Board Governance Committee

JEFF JOHNSON

Sent: Thursday, November 02, 2006 10:01 AM

Answers below:

1. I am not sure what you mean by coordinated contribution. If that is a term used in political terms I am not aware of the meaning.  
In layman's terms Joe Solomon had asked me to contribute. I had planned on making out a check for Whitehouse in 2005 anyway, as I did in 2006.  
On "Who directed the spending" I guess I did as I cut a personal check.
2. No, as I remember it the PAC had enough money in it at that point, so there was no need of a 2005 PAC contribution.
3. There was no reimbursement to me for the Whitehouse contribution by Beacon or anyone else. No promise of a reimbursement. No promise of a bonus, as that is dependent on the board decision at the end of the year.
4. Since I had given to Sheldon 2005 and again in 2006, I can't say I was coerced at all, as I have known Sheldon for 15 plus years and supported his efforts to get elected. However any time the boss asks you to do something I would say "pressured" could be a reasonable term.

Jeffrey C. Johnson  
Vice President of Community Relations  
The Beacon Mutual Insurance Co.  
One Beacon Centre,  
Warwick, RI 02886-1378  
Phone 825-2660

11/2/2006

29044234839

Last evening the Board's Governance Committee met concerning the recent inquiry from Deloitte regarding political contributions made to the Sheldon Whitehouse for Senate Committee during June 2005. In order for the committee to assess the scope and nature of the issue it has requested that I pass on to each of you their 4 questions. It is important that any answers that you choose to give be accurate. Also the committee requests that you respond by early this afternoon if possible.

1. Was this a coordinated contribution? If so, who directed the spending?
2. Was this contribution made in lieu of a PAC contribution to be made in 2005?
3. Was there any reimbursement to you made by Beacon or any other individual or a promise of such reimbursement by the company (as in a promise of a bonus or other form of compensation) or by any individual? If so please describe.
4. Did you feel pressured or coerced into making a contribution? If so, please describe.

Please send your responses to me and I will forward them to the committee.

Thank you for your cooperation.

Carl Hayes  
for the Board Governance Committee

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